

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

JULY 27, 2001

IN RE:)	
)	
BELLSOUTH TELECOMMUNICATIONS, INC.)	DOCKET NO.
TARIFF TO OFFER CONTRACT SERVICE)	01-00436
ARRANGEMENT (TN00-6806-00))	

**ORDER GRANTING APPROVAL OF BELLSOUTH
CONTRACT SERVICE ARRANGEMENT (TN00-6806-00)**

This matter came before the Tennessee Regulatory Authority ("Authority") at a regularly scheduled Authority Conference on June 12, 2001, on the tariff filing of BellSouth Telecommunications, Inc. ("BellSouth") for approval to offer Contract Service Arrangement No. TN00-6806-00 ("CSA"). BellSouth filed Tariff No. 01-00436 on May 16, 2001, with a proposed effective date of June 14, 2001.

Based upon careful consideration of the tariff filing, the Authority makes the following findings and conclusions:

1. The purpose of this CSA is to provide a Volume and Term Discount to the customer identified in the filing. Through this arrangement, the customer agrees to meet an annual revenue commitment of three hundred and three thousand dollars (\$303,000.00) in exchange for a five percent (5%) discount.

2. The Executive Summary included with the CSA filing states that the term of the CSA is three (3) years. The CSA, however, does not include such a general statement. Instead, the Main Agreement defines the term as follows: "The term of the Main Agreement commences

on the Effective Date and ends on the date on which the term of the last Attachment hereto ends.”¹ Attachment 1, the only attachment included with the filing, provides: “The term of this Attachment may be extended for one or more additional years upon the mutual agreement of the parties.”² Lastly, Exhibit 2 to Attachment 1 lists the term as three (3) years.³

Based on the language of the CSA, the Directors find that the term of the CSA is three (3) years with an optional renewal for an undetermined time period. Consistent with other decisions of this agency any optional renewal after the expiration of the three (3) year term is contingent upon approval by the Authority.

3. This CSA contains two termination provisions. The first relates to the termination of the underlying specific service and is linked to the tariff provision applicable to the underlying service. The second applies to the termination of the Volume and Term agreement. Because the first termination provision is contained in the underlying, previously approved tariff, it is only the second termination provision that is before the Authority in this docket.

4. In its May 15, 2001 cover letter included with the CSA filing, BellSouth agreed to notify the customer⁴ that upon early termination of the CSA without cause, the lesser of the following termination liability charges would apply to the termination of the Volume and Term agreement:

¹ BellSouth BusinessSM Master Services Agreement, sec. II (filed May 16, 2001). The CSA is comprised of two documents; the Main Agreement and Attachment 1.

² *Id.* Attachment 1, Terms and Conditions for BellSouth Telecommunications, Inc. (“BST”) Regulated Services, para. 7P.

³ *See id.* Exhibit 2 to Attachment 1, Terms and Conditions for BellSouth Telecommunications, Inc. (“BST”) Regulated Services, para. 1.

⁴ BellSouth agreed during the October 24, 2000 Authority Conference that it would send the notice to the customer upon approval of the CSA by the Authority. *See* Transcript of Proceedings, Oct. 24, 2000, p. 15 (Authority Conference).

- a. The amounts specified in the CSA the customer signed;⁵
 - b. The total of the repayment of discounts received during the previous twelve (12) months of service, the repayment of the prorated amount of any waived or discounted non-recurring charges, and the repayment of the prorated amount of any documented contract preparation, implementation and tracking, or similar charges; or
 - c. Six percent (6%) of the total CSA amount.
5. This CSA contains provisions for incentive awards and commitment shortfalls. BellSouth provided an addendum executed by the customer clarifying the fact that the commitment shortfalls do not apply upon the customer's early termination of the CSA.
6. BellSouth provided an addendum executed by the customer stating that the customer was aware of competitive alternatives available to it in Tennessee and that the customer and BellSouth have agreed on the termination provisions and that the termination charges represent a reasonable estimate of BellSouth's damages in the event of termination.
7. BellSouth supplied cost data which indicates that the price of services offered under the CSA exceed their long-run incremental costs. Based on this information, BellSouth has complied with the statutory price floor established in Tenn. Code Ann. § 65-5-208(c).
8. No parties sought to intervene in this docket.

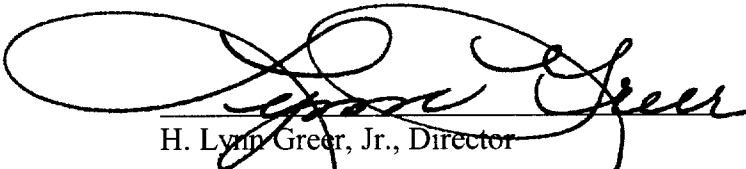
⁵ The termination provisions in the CSA require that the customer provide written notice of termination sixty (60) days prior to the effective date of the termination and pay termination charges equal to "(1) Discounts received for the life of the Contract or for the previous 12 months, whichever is less, and (2) The prorated portion of the Contract implementation and tracking costs" BellSouth BusinessSM Master Services Agreement, Attachment 1, section 7M (filed May 16, 2001). During the January 23, 2001 Authority Conference, it was established that where the termination liability limitation language appears in the CSA or addendum thereto, BellSouth is not required to provide additional notification to the customer upon approval of the CSA by the Authority. With its filing, BellSouth will provide information to the Authority regarding the existence of such language in the CSA or addendum thereto. *See* Transcript of Proceedings, Jan. 23, 2001, pp. 10-14 (Authority Conference). In this case, however, the notification is necessary because the limitation language in the proposed notice and the CSA or addendum thereto is not identical. On July 9, 2001, BellSouth filed with the Authority a copy of the notification letter sent to the customer.

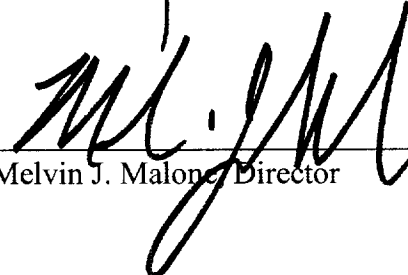
Based on the foregoing findings and conclusions, the Directors unanimously determined that the CSA in this docket should be granted.

IT IS THEREFORE ORDERED THAT:

BellSouth Telecommunications, Inc.'s Tariff No. 01-00436, which seeks approval of Contract Service Arrangement No. TN00-6806-00, is hereby granted.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:



K. David Waddell, Executive Secretary